

**OPENING STATEMENT OF
CHAIRMAN SPENCER BACHUS
HEARING OF FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT SUBCOMMITTEE ON H.R. 3424, THE
COMMUNITY CHOICE IN REAL ESTATE ACT
JULY 24, 2002**

The Subcommittee meets today for a legislative hearing on H.R. 3424, the Community Choice in Real Estate Act.

Ever since the Federal Reserve and the Treasury Department issued a proposed rule in January 2001 to permit banks to engage in real estate brokerage, a vigorous debate has raged between those who believe that the proposal is an appropriate application of the agencies' authority under the Gramm-Leach-Bliley Act, and those who warn that it could seriously undermine the separation between banking and commerce that Congress reaffirmed in that same landmark legislation. One indication of the controversy engendered by the proposed rule is the number of submissions that the Federal Reserve and the Treasury received during the four-month public comment period – over 44,000.

On May 2, 2001, this Subcommittee held the first congressional hearing on the proposed Fed-Treasury rule, taking testimony from the regulators as well as a broad cross-section of industry groups on both sides of the issue. In the 15 months since the Subcommittee's hearing, there have been a number of developments that I want to take a moment to summarize for Members.

In December 2001, Mr. Calvert and Mr. Kanjorski introduced H.R. 3424, the subject of today's hearing, which amends the Bank Holding Company Act to prohibit financial holding companies and national banks from engaging, directly or indirectly, in real estate brokerage or management services. At last count, H.R. 3424 had 245 cosponsors in the House. A Senate companion bill has attracted 18 cosponsors.

In April, in response to Chairman Oxley's request for a status report on their rulemaking, the Treasury and the Federal Reserve announced that they would delay until next year any further action on the real estate issue, citing the urgent priorities created by September 11th as the primary obstacle to completion of the process this year.

Earlier this month, the Appropriations Committee – over the jurisdictional objections of this Committee – inserted language in the Treasury-Postal spending measure that would block implementation of the proposed rule during fiscal year 2003 – or until October of next year at the earliest. The version of the Treasury-Postal appropriations bill that the full House is expected to approve later today includes the real estate provision added in the Appropriations Committee.

I was one of the first Members of Congress – along with the gentleman from Pennsylvania, Mr. Kanjorski – to challenge the regulatory proposal to allow banks into the real estate brokerage business. I convened last year's Subcommittee hearing to ensure that Members of this Committee had an opportunity to be heard on an issue that is of critical importance to so many of our constituents.

Like the proponents of H.R. 3424, I have been concerned that the Fed-Treasury proposal threatens to erode the long-standing separation between banking and commerce that Congress recently sought to fortify in the Gramm-Leach-Bliley Act. Moreover, important questions remain regarding whether the current Federal and State regulatory framework is sufficient to ensure the adequate supervision of bank real estate activities, assuming the proposed rule is ultimately implemented.

I respect the views of those who feel differently about this issue than I do, and those views are well-represented on the second panel of witnesses that we have assembled for today's hearing. Before recognizing the Ranking Member for an opening

statement, I'd like to thank all of our witnesses for being here today, particularly our colleague from California, Mr. Calvert. This is a contentious issue with strongly-held views on both sides, and yet at our first hearing on the issue last year, I was impressed – as I think other Members were – by the civility and reasoned tone of the debate. I hope that we can meet that same high standard at today's hearing, and I believe that we will.